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C O N F I D E N T I A L BAMAKO 000167

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TAGS: PREL PGOV EFIN ECON EPET ETRD ML

SUBJECT: ALGERIAN OIL COMPANY LANDS EXPLORATION RIGHTS FOR  
NORTHERNMOST MALI

REF: 06 BAMAKO 00520

Classified By: Political Officer Aaron Sampson for reasons 1.4(b) and (d)

1.(U) On February 8 the Malian government awarded hydrocarbons exploration rights in northernmost Mali to the Algerian government owned oil company Sonatrach. The four year, 12 million USD deal is for what the GOM has designated as block 20 - which comprises all of Mali north of Taoudenni and Tessalit. Sonatrach also purchased from Australian-owned Baraka Petroleum 25% shares of blocks 1, 2, 3, 4 and 9. These additional blocks cover the zone from Timbuktu west to the Mauritanian frontier.

2.(C) Interestingly, block 20 was not part of the original 700,000 sq. kilometers set aside for oil prospecting by Mali's Ministry of Mines, Energy and Water. In 2004 the GOM delineated 18 blocks, stretching north from Segou through Timbuktu to Taoudenni and west from Gao to Menaka and the frontier with Niger (reftel). None of these 18 original blocks went north of Taoudenni or Tessalit. According to a Ministry of Mines official, Algeria specifically asked Mali to create block 20, which includes nearly all of the Algeria-Mali border, so that Sonatrach could bid on the prospecting rights. Algerian officials apparently argued that the acquisition of the rights to block 20 would enable Sonatrach to expand oil exploration operations already underway on the Algerian side of the Mali-Algeria border. Since block 20 did not exist prior to Algeria's expression of interest, other oil prospecting firms were not informed of the block's opening. A Ministry official said other oil exploration firms could negotiate prospecting rights for newly created blocks numbered 19 and 21 through 25. With the exception of block 21, which is a narrow band to the west of Kidal, these are located in central Mali between Gao and Kayes. A map of Mali's petroleum blocs is available at <http://www.aurep.org/htmlpages/blocs.html> .

3.(C) Comment: Some in Bamako have pointed out that, thanks to Sonatrach, an Algerian government entity will now have broad access to an enormous swath of Malian territory in the Taoudenni, Tessalit and Timbuktu zones. Algeria currently has a Consulate staffed by two diplomats in Gao and security officials on the ground in Kidal as part of the Algiers Accords implementation process. Block twenty expands this coverage to encompass nearly all of Northern and Northeastern Mali. We have nothing to support the suspicions of some Malians that block twenty was acquired for its military rather than economic potential. The block's establishment at the behest of Algiers, and without tender, is however an indication of the complicated, at times vexing but inevitably close ties between the two countries.

McCulley